

## Unknown

**From:** Messmore, William [william.messmore@lehman.com]  
**Sent:** Wednesday, May 14, 2008 10:14 AM  
**To:** Montgomerie, Rick  
**Cc:** Vaughan, Charlie; Vloedman, Peter; McBeth, Doug  
**Subject:** RE: MV Re/Pulsar Re/ Lehman Re - Collins Security Committee

Sure - Collateral relating to the transformer business is included in the "Funds Held" line in the liabilities section of the balance sheet. The related assets backing this obligation are in the "Securities Purchased Under Agreement to Resell" line.

The collateral is invested in a reverse repo position with LCPI that is fully collateralized.

-----Original Message-----

From: Montgomerie, Rick [<mailto:Rick.Montgomerie@magnetar.com>]  
Sent: Thursday, May 08, 2008 10:38 AM  
To: Messmore, William  
Cc: Vaughan, Charlie; Vloedman, Peter  
Subject: Fw: MV Re/Pulsar Re/ Lehman Re - Collins Security Committee

Will,

This came through from the decurity department of Collins (brokers). Could you comment as we need to get back to them.

Best regards,  
Rick

Rick Montgomerie  
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-----Original Message-----

From: Treacy, John <[John.Treacy@collins.com](mailto:John.Treacy@collins.com)>  
To: Montgomerie, Rick; Shaffer, Mike <[Mike.Shaffer@collins.com](mailto:Mike.Shaffer@collins.com)>  
CC: Vaughan, Charlie  
Sent: Thu May 08 07:44:39 2008  
Subject: RE: MV Re/Pulsar Re/ Lehman Re - Collins Security Committee

Rick - in our earlier conversation, you mentioned that the assets posted by Pulsar as collateral are maintained in "segregated accounts" which were controlled by Lehman Re and not accessible by Lehman Bros. I am not seeing those assets on LRe's balance sheet or disclosed in their financials. Can you clarify...or direct us to a contact at Lehman Re to clarify.

Thanks....john

>> John C. Treacy

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From: Montgomerie, Rick [mailto:[Rick.Montgomerie@magnetar.com](mailto:Rick.Montgomerie@magnetar.com)]  
Sent: Thursday, May 08, 2008 1:21 AM  
To: Shaffer, Mike  
Cc: Vaughan, Charlie; Treacy, John  
Subject: RE: MV Re/Pulsar Re/ Lehman Re - Collins Security Committee

Mike,

Thanks for your e-mail. The 2007 financials should be ready any moment and we will forward them to you as soon as we receive them. Please see the attached from A M Best and below.

With reference to A.M. Best's recent press release regarding Lehman Re, we would like to add some background and further information.

As a result of a periodic review, A.M. Best has revised its rating of Lehman Re ("Lehman") to 'A' Stable. An 'A' rating puts them in the top 33% of Property-Casualty and Composite companies rated by A.M. Best.

We have been informed that the driving factor for this rating change was Lehman's non-standard business plan, which differs enough from other companies in the 'A+' rating category that it felt an 'A' rating was more appropriate. This is referenced in the press release. A.M. Best also noted that Lehman's capitalization remains strong and that its profitability is improving.

You will recall that in addition to Lehman's statutory capital, Pulsar Re posts collateral for all business underwritten through Lehman. The gross premium to surplus ratio today is approximately 0.2 to 1. The business model of diversification through many non-correlating events remains unchanged.

A reminder of how our business structure works:

Business sourced by MV Re is underwritten on Lehman Re paper backed by collateral provided by Pulsar Re (capitalized at approximately \$780m to date). This security is then further backed up by the balance sheet of Lehman Re (A.M. Best 'A' stable rated) with GAAP equity of \$370m as of year end 2007 and a Net Worth Maintenance Agreement from Lehman Brothers Holdings Inc. to Lehman Re. This ensures that Lehman Re remains solvent at all times and able to comply with Bermuda Monetary Authority rules of maintaining capital adequacy to match its Class 4 license.

For your information, as of February 29th, 2008, Lehman Brothers' total stockholders' equity was \$24.8 billion, and total long-term capital (stockholders' equity and long-term borrowings, excluding any borrowings with remaining maturities of less than twelve months) was \$153.2 billion.

The Holding Company had a robust liquidity pool of \$34 billion at quarter end. In addition, the Holding Company had other unencumbered assets of \$64 billion and its regulated entities had unencumbered assets of \$99 billion at quarter end.

We are around all day so please do not hesitate to give either of us a call with any questions.

Best regards,

\*\* Please note with immediate effect new e-mail, office address and telephone number:

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From: Shaffer, Mike [<mailto:Mike.Shaffer@collins.com>]  
Sent: 08 May 2008 00:42  
To: Montgomerie, Rick; Montgomerie, Rick  
Cc: Vaughan, Charlie; Treacy, John; Shaffer, Mike  
Subject: RE: MV Re/Pulsar Re/ Lehman Re - Collins Security Committee

Rick,

I don't recall getting the 2007 year-end financials for Lehman Re; are they available yet? If for some reason you've already sent them and I misplaced them, I apologize.

We see that AM Best just downgraded to A from A+.

Regards,

>> Mike Shaffer

Assistant Vice President

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From: Montgomerie, Rick [<mailto:Rick.Montgomerie@magnetar.com>]  
Sent: Tuesday, April 08, 2008 3:42 PM  
To: Shaffer, Mike; Treacy, John  
Cc: Vaughan, Charlie  
Subject: RE: MV Re/Pulsar Re/ Lehman Re - Collins Security Committee

Mike, John

Thank you for your e-mails. We are awaiting 2007 Financials which should be available any time. As soon as they are we will send you a copy.

Many thanks,

Rick

\*\* Please note with immediate effect new e-mail, office address and telephone number:

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From: Shaffer, Mike [<mailto:Mike.Shaffer@collins.com>]  
Sent: 08 April 2008 21:30  
To: Montgomerie, Rick  
Subject: MV Re/Pulsar Re/ Lehman Re - Collins Security Committee

Hi Rick,

I wanted to follow-up to our phone call from March 28th (yourself, John Treacy and me). I am simply wondering if you can get me the 2007 year-end financials for Lehman Re, or get me a contact at Lehman Re who might have this information.

Thanks for your time explaining the whole MV Re/Pulsar Re/ Lehman Re relationship. It was very helpful.

Best regards,

>> Mike Shaffer

Assistant Vice President

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